

MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
FEBRUARY 16, 1994
CHICAGO, ILLINOIS

A Regular Meeting of the Illinois Gaming Board was held on February 16, 1994. The meeting was held in the Lincoln Room of the Bismark Hotel, 171 West Randolph Street, Chicago, Illinois. The Regular Meeting was called pursuant to previous Board action and notice was duly and timely given to each Board Member and the public in conformity with the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder and Robert F. Vickrey. Member Gayl S. Pyatt was present via conference telephone. Member J. William Roberts was absent due to a scheduling conflict. Additionally, Interim Administrator Joseph F. Mc Quaid and Chief Legal Counsel Donna B. More; the media and general public were in attendance.

The meeting was called to order by Chairman Johnson at 10:13 A.M.

The Chairman first acknowledged the presence of Director Raymond Wagner, Illinois Department of Revenue.

The first order of business concerned the approval of minutes.

Mr. Vickrey moved the minutes of January 18, 1994 be approved as submitted. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The next order of business concerned a clarification of the minutes of December 2, 1993. Chairman Johnson stated that a question of Board intent had arisen with respect to the approval of Pratt Management Limited as a supplier. The Chairman clarified that the approval of the supplier's license also included the corporate re-structuring sought by the applicant. There being no objection, the Chairman ordered the clarification be added to the minutes of February 16, 1994.

The next order of business concerned the Administrator's Report. The Chair recognized Interim Administrator Mc Quaid.

Mr. Mc Quaid reported that 91% of cruises scheduled for January, 1994 were canceled due to weather conditions. He also reported that with respect to monitoring underage patrons seeking entry to casinos, a total of 1,253,000 patrons had attended scheduled cruises. Of that total, approximately 1,500 (0.11%) persons were turned away because lack of identification or identification that indicated the person was under the age of 21.

The next item of business concerned an update from Elgin Riverboat Resorts.

Mr. David Belding appeared on behalf of the applicant along with Ms. Penny Jackson and Mr. Greg Solomon. Mr. Belding told the Board that construction of a shipyard alongside the Fox River was on-going and that the ship builder had commenced laying of the vessel hull. He reported that relocation of existing power lines was in process and would be completed by March, 1994. Mr. Belding

reported that dredging permits were expected from the Army Corps of Engineers in the near future. Ms. Jackson reported that some initial hiring would occur in March, 1994. Mr. Belding stated that operations were expected to commence in mid-November, 1994, one month later than previously reported.

The next order of business concerned reports from owner licensees. The Chairman first recognized Alton Gaming Company.

Mr. J. Thomas Long appeared on behalf of the licensee. He requested Board approval for the licensee to seek a \$50 million loan for interim financing. He stated the loan would be retired later in 1994 from proceeds received from a \$150-200 million bond offering which would also be used to finance additional projects. He requested the bond offering be placed on the March, 1994 agenda for Board action. He noted that the loan would be secured by Alton Gaming Company. The Chairman noted the Board had received an analysis from Duff and Phelps on the proposal and noted that debt to equity ratios would remain above 1:1.

Mr. Vickrey moved that the refinancing plan as submitted to the Board by Argosy Gaming Company, which provides that all borrowing will be secured by the assets of Argosy Gaming Company and guaranteed by Alton Gaming Company, be approved. Mr. Browder seconded the motion. The Chairman called for discussion.

Ms. Pyatt asked whether it was the intent of the licensee to retire the loan prior to September, 1994. Mr. Long responded that with Board approval of a long term refinancing proposal in March, the loan would be retired long before September, 1994.

The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The next request of Argosy Company concerned approval of new games.

Mr. Mc Quaid reported that staff reviewed the requested games, "Caribbean Stud Poker" and "Twenty-one Super Bucks". He recommended approval.

Mr. Vickrey moved that the games "Caribbean Stud Poker" and "Twenty-one Super Bucks" be approved. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Long next requested the Board's determination of whether newly appointed or elected members of a licensee's Board of Directors could assume their position prior to submitting a Personal Disclosure Form 1 or after submission but prior to action by the Gaming Board. Joseph Walsh, an attorney from Winston & Strawn appeared on behalf of Argosy Gaming Company. Michael Ficaro, representing multiple licensees and Timothy Wilmott, representing Harrah's Illinois Corporation, also appeared. The witnesses urged the Board to adopt a policy allowing persons to begin service upon submission of a Personal Disclosure Form 1. Chief Counsel More, on behalf of staff, recommended that persons be allowed to serve pending investigation of submitted Personal Disclosure Form 1 applications. She also presented policy considerations concerning parent entities that are publicly traded corporations. Member Browder asked what would happen if the Board determined that a member of a Board of Directors was deemed to be unsuitable for licensing. The Chairman responded,

and the witnesses concurred, that the owner's license would be in jeopardy unless the licensee removed that person from the Board of Directors. It was noted that the unsuitable person could be removed for cause under most state statutes. Mr. Ficaro requested time to submit further analysis to staff.

Mr. Vickrey moved that the Illinois Gaming Board not require a Form 1 application be approved prior to a member of a Board of Directors in a publicly traded company being elected to the Board of Directors of that publicly traded company. Mr. Browder seconded the motion.

The motion was withdrawn, without objection. Staff was directed to draft a motion to better reflect the discussion and issues presented.

The Chairman next recognized Par-a-dice Gaming Corporation.

Mr. Thomas Moore, attorney, appeared on behalf of the licensee. He requested approval of the Board for Par-a-dice to purchase the 2.08% ownership stock of investor Arnold Millan. Mr. Moore stated that the purchase of stock would be in the form of a treasury stock purchase.

Mr. Vickrey moved that the purchase of ownership interest, in the form of treasury stock, from Arnold Milan by Par-a-dice Gaming Corporation be approved. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Moore next requested approval for Par-a-dice Gaming Corporation to sell Par-a-dice Riverboat Casino to Argosy Gaming Corporation for use by Missouri Gaming Company, a subsidiary of Argosy. It was noted that staff had raised a number of questions concerning the request. The Chairman deferred the matter, without objection.

The Chairman next recognized Jo Daviess Riverboat Joint Venture, (JDRV).

Mr. David Filken, attorney, appeared on behalf of the licensee. He requested leave of the Board to withdraw a supplier's license application for Leonard Ring. Chairman Johnson noted that since the January, 1994 meeting, when the Board first heard the request for approval of the application, Mr. Ring had died, but that the licensee had already completed the transfer of an asset to Mr. Ring in December, 1992 without Board approval. Mr. Filken concurred that the transfer of land to Mr. Ring had occurred. Mr. Ring had then granted an easement to JDRV pending Board approval of a supplier's application allowing Mr. Ring to lease the property to JDRV. It was noted that the easement agreement contained an automatic reversion of the property to JDRV in September, 1993, but Mr. Filken acknowledged that, in fact, the land had not reverted back to JDRV. The Chairman stated that the question before the Board was whether a licensee was authorized to transfer major assets without approval. The Chairman instructed staff to review Rule 3000.230 and propose any amendments necessary to clarify the disposing of assets by a licensee. The Chairman recognized Reverend Tom Grey of Galena. Rev. Grey charged that JDRV entered into the sale of an @ÿÿ^{aa} Kè-@ ..Êß @ !perty. He submitted a recent Internal Revenue Service document, dated February 1, 1994, that purportedly showed that JDRV was entitled to a tax write-off on the transaction. The matter was deferred, without objection.

The Chairman next recognized Rock Island Boatworks.

Mr. Jack Desatnick, Chief Financial Officer, and Michael Ficaro, attorney, appeared on behalf of the licensee along with officials of Boatman's Bank of Rock Island, Illinois. Mr. Desatnick requested approval of a refinancing plan previously submitted. The request involved the borrowing of \$12 million from Boatman's Bank. The proceeds of the loan would retire \$3.5 million of debt of Rock Island Boatworks and \$8.75 million would be used for loans to other entities owned by D. James Jumer. It was noted that the first mortgage on Casino Rock Island would total \$12 million. The Chairman stated that he was concerned about approving the refinancing licensees in a manner that did not directly aid Illinois riverboat licensees. Member Vickrey stated that the Board should approve the request due to Mr. Jumer's reputation as a businessman in the state.

Mr. Vickrey moved the requested refinancing for Rock Island Boatworks be approved, as submitted. Mr. Browder seconded the motion. The Chairman called for the yeas and nays by oral roll call. The Members responded to wit:

MR. BROWDER	'AYE'	
MS. PYATT		'NAY'
MR. VICKREY	'AYE'	
MR. CHAIRMAN		'NAY'

The motion failed.

Mr. Ficaro requested leave of the Board for reconsideration of the request at the March, 1994 regular meeting. There being no objection, leave was granted.

The Chairman next recognized Empress River Casino Corporation.

Mr. Kevin Larson, President, and Mr. Allen Rich, attorney, appeared on behalf of the licensee. Mr. Larson requested approval of a financing proposal. The Chairman asked a number of questions detailing the proposal. The licensee proposed to enter into \$150 million of debt which included a distribution of \$50 million to the shareholders of Empress River Casino Corporation. It was noted that the remainder of the funds would be used in a proposed project located in Hammond, Indiana. The Chairman expressed concern that the proposal replaced total cash equity of the licensee with \$150 million in debt and that he believed that equity of Illinois assets should not be solely used to create equity in out of state projects. Mr. Larson stated that the entity owning the proposed Hammond project had made a \$4 million equity contribution but that he was unsure of the total equity that would be contributed. He also stated that it was expected that applications for a license in Hammond, Indiana would be reviewed in late Fall of 1994. Mr. Rich told the Board that the financing would be repaid in eight years and would be guaranteed by both the Illinois and Indiana entities, which were S-Corporations.

Mr. Vickrey referenced the report received from Duff & Phelps concerning the proposal and urged the Board to adhere to the conclusions of the report.

The Chairman recognized Reverend Tom Grey of Galena, Illinois. Rev. Grey urged the Board not to approve the proposal because the licensee was simply moving closer to existing customers and was removing cash from Illinois to expand gambling in other states.

Mr. Vickrey moved that the financing proposal submitted by Empress River Casino Corporation be approved. Mr. Browder seconded the motion. The Chairman called for discussion.

Chairman Johnson urged the Board not to approve the motion pending further discussion by staff and Empress officials. He asked Mr. Larson if deferring the matter was objectionable. Mr. Larson responded that the proposal had been originally submitted to staff in October, 1993 and that timing of taking the offer to market was of the essence.

Mr. Vickrey stated that in recognition that there would be a license operating in Indiana and that he believed it important that an Illinois business entity hold the license.

Mr. Vickrey requested consideration of the motion be postponed until after further discussion in Closed Session.

With leave of the body, consideration was postponed.

The second request of Empress River Casino Corporation to merge the assets of River Casino Corporation into Empress River Casino Corporation was deferred.

The Chairman next recognized Des Plaines Development Limited Partnership.

Mr. Timothy Wilmott, General Manager, and Mr. George Kovac, attorney, appeared on behalf of the licensee. Mr. Kovac requested approval of a refinancing proposal. Mr. Kovac noted that no borrowing would occur under the proposal. The proposal would increase capital contributions of the partners, Harrah's Illinois Corporation and John Q. Hammonds. Mr. Vickrey questioned whether Harrah's Illinois had been paying the bills of Mr. Hammonds. Mr. Kovac stated that obligations had already been incurred that were paid by Harrah's in anticipation of Mr. Hammonds securing a loan to contribute his portion.

Mr. Browder moved that the proposed additional financing plan submitted by Des Plaines Development Limited Partnership be approved. Mr. Vickrey seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The Chairman next recognized Casino Queen, Incorporated.

Mr. John Janicik, attorney, appeared on behalf of the licensee. Mr. Janicik reviewed a previous Board appearance wherein a question had been raised regarding Terminal Railroad and whether the leasing of real property by Terminal Railroad to Casino Queen, Inc. required Terminal Railroad to secure a Supplier's License. Mr. Janicik told the Board that based upon research conducted, Terminal Railroad should not be required to obtain a supplier's license because Terminal Railroad does not provide gaming equipment or supplies. He noted that Terminal Railroad leased land to Casino Queen, Incorporated so that Casino Queen could gain access to their docksite and that the docksite itself was not owned by Terminal Railroad. On behalf of staff, Mr. Mc Quaid stated that the land in question could be considered as the docksite of Casino Queen and could therefore require that Terminal Railroad secure a supplier's license. Mr. Mc Quaid recommended, however, the Board consider application of Rule 3000.260 and waive the requirements for a license.

Mr. Vickrey moved that pursuant to Rule 3000.260, the Board waive the supplier's license requirement for Terminal Railroad. Mr. Browder seconded the motion. The Chairman called for discussion.

Mr. Vickrey noted that the land on which the docksite for Casino Queen, Incorporated was located was regulated by other state and federal agencies and that the waiver was in the best interests of the public and the gaming industry.

The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The Chairman next recognized Hollywood Casino Corporation.

Mr. Richard Knight, Chief Operating Officer, appeared on behalf of the licensee. He told the Board that during the month of January and through February 15, 1994, no cruises had occurred due to ice. Dredging and power line relocation was proceeding as scheduled. Hollywood was considering construction of a larger vessel to replace one of the existing vessels. Mr. Knight discussed the implementation of a twenty-four hour cruise schedule and requested consideration of the revised cruise schedule at the March, 1994 regular meeting.

Mr. Vickrey asked questions concerning ancillary economic development in Aurora, Illinois. Mr. Knight told the Board that a new restaurant and bar had opened with two additional restaurants scheduled to open in the near future.

Mr. Vickrey requested the staff to invite local officials to attend future Board meetings to update the Board on the impact of riverboat gambling in the community.

The next order of business concerned Supplier's License applications.

Mr. David Filken requested leave of the Board to withdraw the supplier's license application of Leonard M. Ring. Without objection, leave was granted.

Mr. Vickrey moved that the application for a supplier's license received from Progressive Games, Inc. be approved. Mr. Browder seconded the motion. The Chairman called for discussion. William J. Kunkle, Jr., attorney, appeared on behalf of the applicant to respond to questions. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Vickrey moved the supplier's license of Green Duck, Inc. be renewed. Mr. Browder seconded the motion. It was noted that the renewal included approval for acquisition of an unnamed company. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The Chief Counsel sought recognition to inform the Board that in granting leave to withdraw an application for a supplier's license a record vote of the Board was required. The Chairman deferred the vote granting leave to Leonard M. Ring to withdraw his application.

Mr. Browder moved that pursuant to the Open Meetings Act, 5 ILCS 100, Section 120/2 (g), (h) and (k) that the Board retire to Closed Session to consider the following subject matters:

1. Reports concerning applicants for occupational licenses
2. Recommendations of the Administrative Law Judge
3. Investigatory Matters
4. Confidential Financial Information of Licensees
5. Personnel Matters.

Mr. Vickrey seconded the motion. The Chairman called for the yeas and nays.

The motion was unanimously approved by voice vote and the Board retired to Closed Session at 12:48 P.M.

The Illinois Gaming Board reconvened in Open Session at 4:10 P.M. Chairman Johnson and Members Browder and Vickrey were in attendance; Member Pyatt was in attendance via telephone.

The first order of business concerned consideration of a motion previously made by Mr. Vickrey to approve the financing proposal submitted by Empress River Casino Corporation. The Chairman recognized Mr. Kevin Larson.

Mr. Larson offered an alternative proposal that would create a debt offering of \$150 and of the originally proposed \$50 million for shareholder distribution, those amounts would be distributed from time to time, only to the extent that such distributions would not reduce the stockholder's equity interest below \$25 million. Mr. Larson noted that the \$25 million was twice the original equity investment of the stockholders. It was noted that financial advisors had strongly recommended that the financing structure be moved from the offering entity to the Illinois entity because of available resources.

Mr. Vickrey offered a substitute motion to approve the amended financing proposal submitted by Empress River Casino Corporation. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved 3-1 by voice vote.

Mr. Vickrey moved that the request of Empress River Casino to merge River Casino Corporation into Empress River Casino Corporation be approved. Mr. Browder seconded the motion. The Chairman called discussion.

The Chairman stated he fully supported the motion because it added assets to a licensee.

The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

With leave of the body, the next order of business concerned reconsideration of previous Board action. The Chairman recognized Ms. Pyatt.

Ms. Pyatt, having voted on the prevailing side, moved to reconsider the vote by which the request for refinancing of Rock Island Boatworks, Inc. failed. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote and the motion was reconsidered.

On the motion, the Chairman called for the yeas and nays to approve the refinancing proposal submitted by Rock Island Boatworks, Inc.

The motion was approved 3-1.

The next order of business concerned occupational licensing.

Mr. Vickrey moved the applications for Occupational Licenses, Level 1 be approved for the following individuals:

1. James Carter
2. Rodney Vens
3. Denise Inman-Schaffer
4. Harry Ruggeroli
5. Donald Wren
6. Douglas Patteson

Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Vickrey moved that the Board adopt the staff report and recommendations with respect to applications received for Occupational Licenses, Levels 2 & 3 and that the applications be approved. It was noted the motion included 153 level 2 applications and 292 level 3 applications. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Vickrey moved that the Board adopt the staff report and recommendations with respect to applications received for Occupational Licenses, Levels 2 & 3 and that the applications be denied. It was noted the motion included 2 level 2 and 12 level 3 applications. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The next order of business concerned Administrative Law Judge recommendations.

Mr. Vickrey moved that the request for leave of the Board received from Robert Elmore to reapply for occupational licensing within one year of denial be approved. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Vickrey moved that the request for leave of the Board received from David Pennell to reapply for occupational licensing within one year of denial be denied. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Vickrey moved that the request for leave of the Board received from David Cohen to withdraw his request for administrative hearing and to reapply for occupational licensing within one year of denial be approved. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

Mr. Vickrey moved that the request for leave of the Board received from Nicholas Basile to withdraw his request for administrative hearing be denied. Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The next order of business concerned a report on the Closed Session. The Chairman stated that the Board had received reports from staff regarding pending investigations.

The next order of business concerned Boards of Directors. Mr. Vickrey offered the following motion in writing:

"Mr. Chairman, I move that:

1. All members of the Boards of Directors of an entity with a finding of preliminary suitability or holder of an owner's license must submit Personal Disclosure Form 1 and be approved by the Illinois Gaming Board and that the Illinois Gaming Board requires all members of Boards of Directors of publicly traded parent corporations of an entity with a finding of preliminary suitability or of the holder of an owner's license submit Personal Disclosure Form 1 and be approved by the Illinois Gaming Board; and,

2. Notwithstanding the disclosure and approval requirements of the Illinois Riverboat Gambling Act, and Illinois Gaming Board Rules for investors, all persons covered in number one may begin actively serving on the Boards of Directors prior to the filing of the Personal Disclosure Form 1 and the approval of the Illinois Gaming Board. All Personal Disclosure Form 1 must be submitted within thirty (30) days of election to the Board."

Mr. Browder seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

The next order of business concerned Old Business.

The Chairman stated that the search for an Administrator for the Gaming Board was continuing.

The Chairman next reviewed a proposed change in the structure of Board meetings. Under the proposal, which had been first discussed at the January, 1994 regular meeting, the Board would convene at its regularly scheduled time and retire immediately to Closed Session returning to Open Session in the afternoon. The Chairman explained that such a structure would be a convenience to the public who wished to attend Board meetings. The Chairman noted that no comments had been received and that Board members had generally been supportive and that no objections had been raised. The Chairman announced that beginning

with the March, 1994 regular meeting that the Board would observe that meeting structure.

Mr. Browder moved that the request for leave received on behalf of Leonard Ring to withdraw his application for a supplier's license be approved. Mr. Vickrey seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote.

There being no further business to come before the Board, Mr. Browder moved the Board stand adjourned. Mr. Vickrey seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote and the Board adjourned at 4:59 P.M.

Respectfully submitted,

James A. Nelson
Secretary of the Board

